

City of San José
Coyote Valley Specific Plan

Summary of Task Force Meeting
May 8, 2006
City Hall, Committee Rooms W118-120

Task Force Members Present

Co-chair Councilmember Forrest Williams, co-chair Councilmember Nancy Pyle, Chuck Butters, Eric Carruthers, Helen Chapman, Pat Dando, Russ Danielson, Gladwyn D'Souza, Craige Edgerton, Dan Hancock, Melissa Hippard, Doreen Morgan, Chris Platten, Ken Saso, Steve Schott, Jr., Steve Speno, and Neil Struthers.

Task Force Members Absent

Supervisor Don Gage and Phaedra Ellis-Lamkins.

Technical Advisory Committee (TAC) Members Present

David Bischoff (Consultant for the City of Morgan Hill), Dawn Cameron (Consultant for County Roads), Michele Beasley (Greenbelt Alliance), Libby Lucas (CA Native Plant Society), Sarah Muller (Working Partnerships), Brian Schmidt (Committee for Green Foothills), Tim Steele (Sobrato), and Kerry Williams (Coyote Housing Group).

City and Other Public Agencies Staff Present

Rachael Gibson (Office of Supervisor Don Gage), Lee Wilcox (Council District 10), Frances Grammer (Council District 2), Laurel Prevetti (PBCE), Susan Walsh (PBCE), Mike Mena (PBCE), Sylvia Do (PBCE), Perihan Ozdemir (PBCE), Maria Angeles (Public Works), Rebecca Flores (Housing), Dave Mitchell (PRNS), Lisa Taitano (Finance),

Consultants Present

Doug Dahlin (Dahlin Group), Roger Shanks (Dahlin Group), Jim Musbach (Economic and Planning Systems), Jungjoo Pak (Economic and Planning Systems), Bill Wagner (HMH Engineers), and Eileen Goodwin (Apex Strategies).

Community Members Present

Julie Ceballos, Roger Costa, Consuelo Crosby, Jo Crosby, Mini Damodaran, Robert Eltgroth, Janet Hebert, Dave Higgins, Virginia Holtz, Jack Kuzia, Pat Kuzia, Yoon Lee, Rick Linquist, Georgene Petri, Peter Rothschild, Isidro Raymundo, Art Sanchez, Annie Saso, Pete Silva, Sharon Simonson, Christina Schell, Shellé Thomas, George Thomas, Don Weden, and Marielle Warren.

1. Welcome

The meeting convened at 5:33 p.m. with co-chair Councilmember Forrest Williams welcoming everyone to the 44th Coyote Valley Specific Plan (CVSP) Task Force meeting.

2. Acceptance of April 24, 2006 Task Force Meeting Summary

Co-chair Councilmember Nancy Pyle called for a motion to accept the April 24, 2006 Task Force meeting summary. The motion passed unanimously.

3. Acceptance of April 27, 2006 Community Meeting Summary

Councilmember Pyle called for a motion to accept the April 27, 2006 community meeting summary. The motion passed unanimously.

4. Continue Discussion of CVSP Draft Fiscal Impact Analysis

Laurel Prevetti, deputy director of the Planning, Building and Code Enforcement Department, stated that the purpose of the presentation was to continue discussion of the draft CVSP Fiscal Impact Analysis, focusing on the study's results and their implications. She introduced Jim Musbach and Jungjoo Park of Economic and Planning Systems, the CVSP economic consultants.

- a) Jim Musbach provided an overview of the background information presented at the last Task Force meeting. He discussed the purpose of the study, the fiscal dynamics of new development, the five concurrency scenarios, and a summary of the project description.

Jungjoo Pak provided an overview of the cost assumptions presented at the last Task Force meeting. She discussed the service delivery assumptions for the Fire Department, Police Department; Transportation Department; Library Department; Parks, Recreation and Neighborhood Services (PRNS) Department; maintenance costs for Coyote Valley's 53-acre focal lake; and other General Fund expenditures.

Jungjoo provided an overview of the revenue assumptions presented at the last Task Force meeting. She discussed the overall assumptions and methods, and the key assumptions for major revenue categories and other sources of General Fund revenue. Jungjoo also reviewed the General Fund revenues over the Coyote Valley build-out period based on the existing General Plan trigger scenario.

The Task Force provided the following questions and comments (Please note that comments are shown first, followed by responses in italics):

- What percentage of sales tax captured is assumed? *The study assumes that 50 percent of household spending would be captured.*
- Define real growth. *Real growth is anything above inflation.*
- Why is no real growth assumed for non-residential property values? *The study took a conservative approach in General Fund revenue estimates. In reality, non-residential property values grow at a faster rate than inflation. Whereas residential data is more readily available, it is difficult to track how commercial property values have changed overtime due to lack of data. As a result, the Fiscal Impact Analysis looked at a 30-year period with many economic cycles.*
- The study assumed 3 percent growth rate above inflation for housing prices. Over the past 30 years, what is the average growth rate above inflation for housing prices? *The average growth rate 3 percent above inflation.*
- Property tax is the largest General Fund revenue source. Concerned that the projected 3 percent housing value growth rate was established at the peak of a business cycle. *The 3 percent growth rate average was developed by looking at the past 30 years, which included three business cycles. The 3 percent growth rate is conservative compared to what we have seen in recent times.*
- The CVSP is dependent upon housing values. It is important to get the assumptions right. Housing affordability is dependent upon price and interest rates. Housing values have gone up due to decreasing interest rates. The declining interest rates may not be there to drive the valuation we have seen over the past 20-30 years.
- Housing values are directly related to income. If we assumed a 3 percent housing value growth rate, did we also assume a 3 percent income increase? Does the Fiscal Impact Analysis include income projections? *The market study used income analysis to project housing prices. The Fiscal Impact Analysis looked at the historical rate of assessed valuation*

- growth and how it has grown over 30 years through multiple business cycles. Both studies did not project income.
- How does the property tax in-lieu of vehicle license fees (VLF) work? If there is no in-lieu fee, would the projected General Fund revenue source increase or decrease? *The State gives the City back a lump sum of money it took away from the VLF. The VLF is a reduced revenue for the City. In order to make the City whole, the State backfills it with property tax.*
 - With the property tax in-lieu of VLF, the City does not receive the money, the people do. This creates spending power. If the State discontinued the property tax in-lieu of VLF program, the City would not receive any money back.
 - Property tax in-lieu of VLF is tenuous and is dependant upon the State.
 - The charts in the presentation project General Fund expenditures and revenues over 50 years, but the Fiscal Impact Analysis only projects to Year 30. *The study includes year-by-year projections through Coyote Valley build-out. The projections are extended to over 50 years when the project is tied to employment forecasts.*
 - Will Coyote Valley have comparable levels of service as the existing City? *Coyote Valley will have levels of service comparable to citywide standards per the General Plan.*
 - We are trying to create a walkable community. We are looking for enhanced levels of service, particularly for trails. The City's existing trails are not maintained and are only suitable for daytime recreation. Surprised that the PRNS Department did not include estimates for employees needed to develop and maintain trails. Costs could be offset by locating police substations along major trails. *The PRNS Department indicated that the average maintenance costs is \$15,000 per acre of parks, which also applies to trail acreage.*
 - PRNS staff indicated that trails are not included in the service delivery assumptions. *The 322 park acres includes 60 acres of trails. The \$15,000 maintenance costs were applied to the 60 acres of trails.*
 - In order to create a walkable community, need to ensure that the transit system has adequate funding. Some transit systems in the Bay Area have closed because they ran out of funding.
 - Council envisions that 20 percent of all residential units shall be affordable. The Fiscal Impact Analysis only assumes 5,000 affordable units. *The 5,000 affordable units is a working assumption. The total number of affordable units is still evolving.*
 - The 1,000 for-sale affordable units are deed-restricted in order to maintain its affordability, and would have different assumptions than market-rate units. Does the study account for this? *The study assumed that for-sale affordable units would not command the same assessed value growth as market-rate units.*
 - When will medical services come in? Will medical facilities be phased based on population growth or based on the pace of development? *The medical facilities are assumed to be privately provided. Public medical services will be provided by the County.*
- b) Jim provided a summary of the Fiscal Impact Analysis results. Although a fiscal deficit is expected in the early years of Coyote Valley development, the CVSP will generate an

annual fiscal surplus of \$57 to \$68 million by build-out. Jim reviewed the General Fund revenues versus expenditures for each of the five concurrency scenarios, the net fiscal balance from Years 1-30 for each concurrency scenarios, and the fiscal deficit as a percent of assessed value for Years 1-17.

The Task Force provided the following questions and comments:

- Regardless of which scenario is chosen, the end result is that it is a benefit to the City.
- For many years, we assumed that jobs had to come first. This provides us with a different way of looking at the scenarios. First, this is an opportunity to have private financing. Second, this is an opportunity to have a mixture of housing before jobs are created. Third, this project can happen regardless of whether jobs or housing are built first. How were these measured in the analysis? *The study assumed the same job growth in all scenarios. The market study was done using the existing General Plan trigger scenario. In reality, some scenarios may be a higher propensity to attract employers than others. Employers may be more attracted to a community with an identity, amenities, housing opportunities, and transit.*
- Has been talking to companies. If we create a place for employers to build, they would rather come to San Jose than other areas.
- Would like to compare the CVSP to other major projects and get a benchmark on the period of time for return on investment. Recommended comparing it to the North San Jose redevelopment project. *The CVSP is an investment that yields substantial returns over a period of time on a manageable investment basis. The Redevelopment Agency invests public money, whereas the CVSP will be created from private development.*
- Major large-scale developments typically require some initial investment in order to generate significant fiscal benefits in the long-term. Recommended comparing Coyote Valley with redevelopment areas. There are at least two significant differences. First, Coyote Valley will have almost \$1.5 billion in private financing for infrastructure necessary to secure job growth, enable economic development, provide affordable housing, and to build basic amenities. Redevelopment areas use property tax increments for financing. Second, since infrastructure will be privately financed, tax revenue will go to the City's General Fund from the outset. In redevelopment areas, the property tax benefit does not accrue to the General Fund for about 15-25 years.
- Encouraged by these results, which show that the CVSP can break even with fiscal mitigation measures.
- Predicts that if Coyote Valley is not developed, the City will have less job growth than it would with Coyote Valley development. People will be living at further distances and commuting into the Silicon Valley. If Coyote Valley is not developed, this will only add more pressure for housing development in the Central Valley. This is not good economically, environmentally, or in terms of the community's livability.
- Is it a fair statement to say that the faster the absorption and the more aggressive we can make the plan, the better the fiscal performance? Absorption drives revenues,

which drive a positive fiscal performance for the City. *Yes, the faster the absorption, the faster the tax base grows.*

- These static assumptions do take into account the dynamics of what the project development will really look like. Creating a sense of place and identity will drive absorption much quicker, drive fiscal performance much better, and create a more successful project.
- Trying to understand how the scenarios work and the dynamics behind them. Would like to see line graphs for each of the scenarios showing the growth of jobs and housing.
- In regards to the placemaking scenario, what infrastructure is included during the first seven years of development? *Infrastructure includes the current Bailey Avenue interchange, improvements to Santa Teresa Boulevard, the realignment of Bailey/Santa Teresa, the lake, Caltrain station, transit, urban canal, Laguna Seca, Fisher Creek realignment, the parkway, and improvements to the Coyote Creek Golf Club Drive interchange.*
- How will we overlay the supplemental funding mechanisms for services over the supplementary funding mechanisms for infrastructure? What is the time period for paying off infrastructure costs? *Multiple financing mechanisms serving different purposes and with different time frames can be used concurrently.*
- Will the Environmental Impact Report (EIR) address any of these fiscal impact costs? *No.*
- Will the EIR address each of the scenarios? *The EIR assumes that infrastructure will keep pace with the jobs and housing. The EIR anticipates the possibility that the City Council may change the existing General Plan triggers and will analyze the potential impacts of bringing in jobs and housing sooner than what the General Plan anticipates. The EIR will not choose one scenario over the others.*
- How will environmental mitigations identified in the EIR be paid for? Particularly concerned with impacts to air quality, wildlife habitat, and water. *The plan's \$1.5 billion includes a small amount in cost estimates to pay for environmental mitigations. Since the EIR has not been completed, we do not know of all the impacts that need to be mitigated.*
- There are ways to overcome fiscal problems to make things happen. Need the co-chairs to make the City Council realize that Coyote Valley is a part of the City. In order to make the plan “fly faster,” we need people selling it. By not developing Coyote Valley, we have turned agricultural areas in the Central Valley and South County into homes.
- Santana Row was created without City funds or financing from the Redevelopment Agency, and yet it is thriving. These things are possible.

c) The public provided the following questions and comments:

- Brian Schmidt, with Committee for Green Foothills, indicated that all of the scenarios are dependent upon two assumptions: (1) the accuracy of the 3 percent real growth rate above inflation for housing values, and (2) that we are not at the peak of the business cycle. If either of these assumptions are wrong, the scenarios go away. First,

the consultants indicated that the area is not in a housing bubble. The consultants also mentioned that the 3 percent real growth was developed by looking at a 30-year period. Page 31 one of the draft CVSP Fiscal Impact Analysis report indicated that long-term Bay Area inflation has been 3.2 percent over the past 20 years. Second, the report does not address income growth. The City's own data indicated that in the 1990s, which was a good time for wages, income had a growth rate of 1 percent above inflation. If income goes up 1 percent and housing values go up 3 percent annually, this is a significant problem. Brian had a handout with calculations for housing and income costs for the first 10 years. During the 10-year period, housing costs increased from 33 percent to over 40 percent of one's income. If the figures were calculated out over 50-60 years, the numbers could triple from 33 percent. These figures do not work.

5. Public Comments

The public provided the following questions and comments:

- Brian Schmidt, with Committee for Green Foothills, was concerned about the feasibility of environmental mitigations. Developers will say that the mitigations are too expensive. Developers will benefit from the project and should be able to afford the environmental mitigations. Brian recommended that for every acre of agricultural land lost to development, one acre of agricultural land should be preserved. 1:1 mitigation is a standard used elsewhere. He also recommended analyzing a scenario that adds some type of concurrency phasing to the trigger scenario. This would prevent unrelated residential development from occurring after the first 5,000 jobs are created.
- Consuelo Crosby, a South Coyote Valley Greenbelt property owner, indicated that she has been attending CVSP meetings for six years and has not seen any changes. She asked when development would begin. Consuelo would like some meetings to discuss plans for agricultural mitigation in the Greenbelt. She indicated that for the first time in six years, Task Force members are asking important questions. It is the Task Force's responsibility to realize the impact of this, and not to nod to the information the staff presents.
- Jo Crosby, a South Coyote Valley Greenbelt property owner, indicated that of all the years he attended CVSP meetings, this is the first time he feels that the Task Force is listening to the issues being raised and the questions being asked. He stated that he has not seen a development as "pie in the sky" as Coyote Valley. This is supposed to be a self-sustaining plan and yet it will have a negative fiscal impact to the City's General Fund during the first 20 years. The plan may be self-sustaining within Coyote Valley, but San Jose residents must pay to support Coyote Valley infrastructure. Jo indicated that "fiscal surplus" was the most ridiculous term he has ever heard. *Jim explained that fiscal mitigation would prevent impacts to the City's levels of service and General Fund. The CVSP deficit will not be a drag on the City; it will be mitigated by Coyote Valley's private development.*

6. Adjourn

Councilmember Pyle adjourned the meeting at 7:18 p.m. The next Task Force meeting will take place on May 22, 2006.

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